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June 4, 2010

Job Data Casts Pall Over Economic Recovery

By **MICHAEL POWELL**

A shadow fell across America's economic recovery on Friday, as the Labor Department's [monthly report](#) showed that job growth was weak in the private sector, provoking a precipitous sell-off in the stock market.

The headline numbers for May suggested reason for optimism — employers added 431,000 jobs and the jobless rate fell to 9.7 percent, from 9.9 percent in April. But the underlying numbers showed that almost all of the growth came from the 411,000 workers hired by the federal government to help with the Census. Most of those jobs will end in a few months.

By contrast, the private sector created 41,000 positions, far short of expectations for 150,000 to 180,000 jobs. And the number of long-term unemployed, those Americans out of work for 27 or more weeks, remained at its highest level since the Labor Department began collecting such data in the 1940s.

The ailing American labor market and continued threatening economic news out of Europe — this time from Hungary, where a government spokesman raised the prospect of default — set the stock market on edge, as the Dow Jones industrial average plunged 323.31 points, or 3.2 percent. The Standard & Poor's 500-stock index tumbled 3.4 percent, and the Nasdaq composite slid 3.6 percent.

Currency and commodity prices fell in tandem. The euro spiraled downward, dropping below \$1.20 for the first time since early 2006. And the price of oil dropped to \$71.51 a barrel.

The financial world has cast a wary eye at Europe for months, with attention fixed on the

southern tier stretching from Greece to Spain and Portugal. But Friday offered a reminder that Eastern Europe was a frail reed, as a spokesman for the Hungarian prime minister said that the previous government had manipulated economic figures and that Hungary was in “a very grave situation.”

[President Obama](#) tried to put a gloss on the jobs report, telling workers at a trucking company in Hyattsville, Md., that the numbers showed an economy that was “getting stronger by the day.” Mr. Obama mentioned that [Census Bureau](#) hiring accounted for most of the new jobs, but he added that the nation had added jobs for each of the last five months. “These numbers do mean that we are moving in the right direction,” he said. “There are going to be ups and downs.”

In fact, the May figures suggested a job market wheezing after months of more vigorous growth. The economy must add more than 100,000 jobs a month just to absorb new workers entering the market. Those entrants — including a large batch of high school and college graduates — will join a labor pool swollen with 15 million Americans looking for work. As well, the report showed that hard-pressed city and state governments had begun to cut budgets and shed employees, a process that could accelerate sharply in coming months.

“It’s a very, very grudging labor market,” said Joshua Shapiro, chief economist for MFR Inc. “A growing amount of evidence now points to this recovery taking a long time.”

Several economists expressed concern about the shape of a future constrained by a weakening Europe and slow consumer spending. [Robert Reich](#), who served as labor secretary for President [Bill Clinton](#), placed the chance of the United States slipping back into [recession](#) at 50 percent; while his is a minority view, Mr. Reich gave voice to the more bearish take.

“The consumers are tapped out, we’ve got a fiscal drag from cities and states which are just beginning to lay off people in great numbers, and most of the buying has been consumers replacing household items — I just don’t see the oomph,” he said, in a view that drew some private assents from within the Obama administration Friday.

A sliver or three of hope could be found in the report. Manufacturers hired 29,000 workers last month, and both hours worked — 40.5 hours a week — and wages rose. Factory employment has risen steadily, by 126,000 jobs over the last five months, with fabricated metals and machinery particularly strong.

“Nothing in this report suggests that the recovery is in trouble — the markets need to get a

grip,” said Bernard Baumohl, chief global economist at the Economic Outlook Group in New Jersey.

Growing numbers of Americans who had worked part time have found full-time work. And the Census jobs will put money into the pockets of the nation’s hard-pressed working and lower-middle class. As these workers have little margin for error, they will spend these dollars quickly.

But that, other economists said, described the limit of good news Friday. The number of long-term unemployed remained at about 6.7 million, accounting for 46 percent of the jobless rolls. And the number of “discouraged workers,” which is to say people not looking for work because they see no prospect of employment, rose by 291,000 from a year earlier.

William Dunkelberg, chief economist for the National Federation of Independent Business, had forecast private-sector job growth would be nearly flat in May. He said that, unlike stock bubbles, which pop quickly and often reinflate quickly, housing bubbles offer lingering downturns and slow recoveries. He says he does not believe the economy is so weak that it will fall into the ditch of a second recession.

But that is not to suggest he is particularly optimistic.

“We won’t have a second down, but it’s going to be grimly slow,” he said.

And, save for the hiring of Census workers and the rise in work hours, Heather Boushey, senior economist at the liberal Center for American Progress, saw little cause for cheer. Consumers account for 70 percent of American economic activity, she said, and people cannot spend what they cannot earn.

“At this point, it looks like the labor market is stabilizing into an L-shaped pattern, without sufficient job creation to bring unemployment down,” she said. “This would not only be devastating for workers and their families, but also threaten the path of the economic recovery over all.”

For now, the nation has more workers like Robert Mucha than at any time since the Depression. A Chicago-based engineer, the 43-year-old Mr. Mucha has been looking for work since losing his job in 2008. After putting in résumé after résumé, Mr. Mucha finally took a job as a Census worker.

He has no illusions about his future.

“I keep hearing about how there’s a job waiting around the corner, but I never seemed to get it,” he said. “And when I’m finished with the Census, I’ll be looking again.”

Helene Cooper and Christine Hauser contributed reporting.